

Department of Administrative Services (DAS)
Program on Resident Bidders
Under Public Act 11-229

Pursuant to the provisions of section 9 of Public Act 11-229, the Department of Administrative Services (DAS) in consultation with the Commissioner of Labor, the President of the University of Connecticut, the Commissioner of Public Works (now the Department of Construction Services – DCS) and the Commissioner of Transportation completed a report entitled “In State Preference Policy in State Procurement”. The report was submitted in January, 2012.

The public act required that:

“....

*(b) On or before July 1, 2012, the Commissioner of Administrative Services shall develop and implement **a program to increase the number of state contracts awarded to resident bidders** through an in-state contract preference or other method selected by the commissioner, provided such program shall not violate clause 3 of section 8 of article 1 of the United States Constitution. In developing such program, the commissioner shall consider the findings contained in the report made in accordance with subsection (a) of this section.....”*

As indicated in the report, the DAS commissioner has the administrative authority to initiate certain changes which can lead to an increase in the number of resident contractors providing goods and services to the state; however other measures would require legislative action and are beyond the authority of the commissioner. The recommendations and actions detailed in this report constitute the required “program to increase the number of state contracts awarded to resident bidders” through administrative actions implemented by DAS.

The following recommendations for administrative action were contained in the “In-State Preference Policy in State Procurement” report submitted in January, 2012. As indicated in that report, the recommendations were the product of consultation with several state agencies, consideration of the information produced by the participating procurement offices and independent research. These recommendations reflect the intent that state procurement policy should favor in-state resources when doing so does not unduly impact the need to provide the public with facilities, goods and services in an efficient, cost effective and prudent manner and when doing so is consistent with Constitutional requirements. Following the

recommendations are the actions taken to implement the program called for under subsection (b) of section 9 of public act 11-229.

Administrative Program Concerning Resident Bidders

1. Collecting Information on Bidders' Potential Economic Impact in Connecticut

Recommendation: In order to better monitor the level of in-state contracting, procurement officers in each branch of state government, and in large agencies that conduct their own procurement activities, should add certain data elements to Requests for Information, Requests for Qualifications and Requests for Proposal applications to determine:

- If companies are headquartered in Connecticut
- If companies have other offices in Connecticut
- The extent to which companies employ Connecticut residents, pay state payroll taxes or are assessed local property taxes

Action: To achieve this goal, a small committee of procurement professionals was convened to agree on a uniform set of questions to be recommended for inclusion in appropriate documents.

Since then, in March of 2012, DAS has implemented a "Connecticut Economic Impact Form" that every bidder for goods, services or information technology has to complete. It details information concerning the bidder's presence in Connecticut. This information includes:

1. Information concerning the location of the company's corporate headquarters.
2. Information concerning the location of the company's other offices in Connecticut, for example, satellite offices, sales outlets, service facilities, etc.
3. Information concerning the number company employees who reside in Connecticut.
4. Information concerning the type and amount of taxes paid in Connecticut.
5. Information concerning the annual payroll paid to state residents.
6. Information concerning other expenditures made in Connecticut including rent, utility and other payments or purchases.

In a tremendously competitive, price sensitive, open marketplace there is a belief that this data will be helpful in determining the extent of a company's economic presence in Connecticut. By the end of the summer of 2012, DAS will be moving

this data into an online fillable form so it can be reported and accessed easily in an electronic database. A copy of the form is attached to this report.

DAS plans to consult with other contracting agencies and will transmit the form to them so that they may consider collecting this data as well.

2. Information Technology Contract Extensions

Recommendation: Contract extensions, which have been common and recurrent in the purchase of IT services and equipment, should be sharply curtailed to ensure more frequent bidding, greater competition and transparency and improved opportunities for contract participation on the part of local companies.

Action: Since the merger of the former Department of Information and Technology (DOIT) with DAS, the Office of Procurement Services has applied stringent guidelines for the extension of IT contracts. In fact, the DAS Procurement staff has been advised that more stringent guidelines now apply to all contract extensions for all goods and services. The review of existing contracts will continue with a formal competitive bid process being the preferred means of determining a contract extension and, where appropriate, a change of vendor. Where extensions are warranted, they are being limited in duration and subjected to greater scrutiny. It is anticipated that as all IT contracts undergo this review we will see more frequent bidding, greater competition and additional opportunities for resident bidders.

3. “Right Sizing” Bid Packages

Recommendation: DOT and other agencies utilizing federal funds should continue their efforts to “right-size” contracts to both comply with strict federal contracting requirements while maximizing opportunities for qualified local contractors. Agencies utilizing federal funds have had success with this approach and it should continue.

Action: All agencies involved in the preparation of the January, 2012, report have been advised of this recommendation and encouraged to comply.

4. Extending Bond Guarantees for Small and Minority Owned Businesses

Recommendation: Bond requirements for small and minority-owned businesses often impose an impediment to the pre-qualification of small construction companies and, as a result, prevent such companies from participating in state contracts. Administrative efforts designed to result in an easier and more economical path to bonding and pre-qualification for Connecticut’s small and

minority owned businesses should continue and be intensified. These efforts should be coordinated with other initiatives to strengthen and expand the minority business bonding guaranty programs already administered by the state. The bond allocation directive for the program could be expanded to include bid bonds and performance bonds.

Action: Item #20 of the State Bond Commission's June 4, 2012, Special Meeting http://www.ct.gov/opm/lib/opm/6-4-2012_Agenda.pdf is intended to expand the minority guaranty program administered by the Department of Economic and Community Development (DECD) with Hartford Economic Development Corporation (HEDCO) by allowing use of previously authorized bond funds for the payment of "performance" and "bid" bonds.

DAS advocated for this change which was placed on the bond agenda by Governor Dannel Malloy. When fully implemented it is anticipated that the expansion of the DECD bond guaranty program will facilitate participation of more small and minority contractors on state construction projects.

5. Improved Outreach to the Small (SBE) and Minority Owned (MBE) Business Community

Recommendation: While there are approximately 2,500 small businesses and 1,250 minority businesses currently certified by DAS to participate in the state's set-aside program, outreach efforts to increase those numbers have been hampered due to years of budget cuts and personnel reductions. DAS and other procurement agencies should expand and intensify outreach efforts to small and minority-owned businesses in order to enroll them in the set-aside program. This effort will be supportive of Connecticut's small business sector and also increase the likelihood that more Connecticut businesses will come to compete and participate in state contracts. Toward this objective, state agencies should form partnerships with organizations representing or including small and minority-owned businesses to more aggressively recruit such businesses for state contracting.

Action: DAS is committed to continuing outreach efforts with Small Business Enterprise (SBE)/Minority Business Enterprise (MBE) partnerships and "Matchmaker" events and is considering seeking additional staff for this effort. Budget constraints are likely to continue to be an issue in this regard.

The following events were attended by DAS personnel in the last year and were used to provide information to small and minority-owned contractors about opportunities for state contracts:

August 26, 2011 - Congressman Murphy sponsored event for SBEs
August 29, 2011 - Small Business Development Center, SBE meeting
September 14, 2011 - UCONN Small/Minority Business Expo
September 30, 2011 - Veteran's Forum - Central Connecticut State University
October 4, 2011 - Greater New England Minority Development Council Event
December 14, 2011 - SBE Fair in Windsor
March 15, 2012 - Operation Home- Veterans Event - Stamford
April 10, 2012 - Women Business Development Center telecast
June 7, 2012 - Connecticut Business Expo
June 21, 2012 - SBE/MBE Matchmaker event - University of Hartford

The 2012 Matchmaker event allowed some three hundred small Connecticut businesses to meet with fifty-five large companies, called prime vendors, to discuss how they could provide goods and services. The state facilitated training for the small businesses in advance of these meetings to maximize their effectiveness. In addition, there were 25 resource entities, including a variety of state and federal agencies, present to meet with the Connecticut firms as well.

In the previous year DAS participated in:

Regional DBE Program – Federal Outreach Program for Small Businesses
Greater New England Supplier Diversity Council Programs
Permanent Commission on Status of Women program
Bridgeport – Outreach to MBE/SBE program
National Association of State Purchasing Officers- regional meeting (one-on-one meetings with vendors)
Metropolitan District Commission- outreach meetings
Telecasts for Women Business Development Center
Congressman Murphy – SBE/MBE workshop
Matchmaker event to promote SBE/MBE participation on state/federal contracts

DAS processes more than a thousand applications annually, including both new and renewal applications, for certification in the SBE and MBE programs. In the year ending June, 2012, some 1,369 applications had been approved.

As of June, 2012, there are 503 small businesses with DAS contracts for goods and services, and of those 108 are minority-owned businesses. The estimated value of these contracts is more than \$200 million. (Note: These figures do not include

contracting by the University of Connecticut, the Department of Construction Services or the Department of Transportation, each of whom has a substantial SBE/MBE supplier program.)

6. Expanded Use of Project Labor Agreements

Recommendation: The use of Project Labor Agreements (PLA) by state agencies, within the discretion of state procurement authorities, may be expanded to ensure the greater use of local labor, Connecticut small and minority owned businesses and locally provided goods and services. While perhaps not suited to every construction project, the use of PLAs in this state and other jurisdictions has served to foster greater and more equitable use of local resident businesses and labor. Comprehensive cost-benefit analyses may be needed to determine which projects may best be suited for project labor agreements.

Action: Public Act 12-70 “AAC The Department of Transportation Project Delivery and Project Labor Agreements for Certain State Projects” included language that authorizes the state, its agencies and political subdivisions, to require a “project labor agreement” (PLA) for public works projects when they determine it is in the public's interest to do so.

In addition to this policy change, October 2012 Special Session Public Act 11-2 “AAC the Connecticut Bioscience Collaboration Program” (the Jackson Labs construction projects) includes a provision for a project labor agreement.

It is expected that these changes will lead to greater use of local, small and minority-owned Connecticut businesses in state sponsored construction projects.

7. Streamlining State Bidding and Contracting Processes

Recommendation: Efforts to streamline state bidding and contracting processes and to make the system less imposing to Connecticut’s mid-sized and smaller companies need to be continued and expanded. While some initial steps have been taken, including the establishment of online electronic filing of affidavits and other contract certification documents, more needs to be done to reduce the time-consuming and burdensome application process. Toward this goal, agencies should initiate efforts to achieve greater efficiency while employing expanded use of technology, including the implementation of on-line bidding procedures.

Action: In addition to recent improvements noted above, in February of 2012 DAS Procurement instituted Phase One of its’ On-line Bidding Program and will fully implement on-line bidding for all aspects of the application process by the fall of

2012. This will result in dramatically lowered administrative burdens for companies competing for Connecticut contracts, as well as improved productivity among Connecticut state employees who presently receive and process these cumbersome hard copy documents.

8. Selection Criteria

Recommendation: Where strict in-state preferences may not be preferred, selection criteria designed to value the use of companies with particular knowledge or expertise may be justified as being in the interest of the state. Connecticut already recognizes the importance of companies having knowledge of local building codes, for example, and the expanded use of such criteria may result in more local companies being selected for state work. All branches of state government and all agencies should, where practical, establish selection criteria that place a premium on local experience and knowledge. These may include:

- Knowledge of Connecticut law, regulations, codes or practices
- Geographic proximity of the vendor's offices to the project
- Experience with similar in-state projects or contracts where such experience may be considered advantageous to the state.

Action: State agencies have been advised of this recommendation and, where appropriate, are encouraged to use selection criteria emphasizing local experience and knowledge of Connecticut codes and standards.